

STATE OF TENNESSEE

Office of the Attorney General



PAUL G. SUMMERS
ATTORNEY GENERAL AND REPORTER

MAILING ADDRESS

P.O. BOX 20207
NASHVILLE, TN 37202

ANDY D. BENNETT
CHIEF DEPUTY ATTORNEY GENERAL

LUCY HONEY HAYNES
ASSOCIATE CHIEF DEPUTY
ATTORNEY GENERAL

MICHAEL E. MOORE
SOLICITOR GENERAL

CORDELL HULL AND JOHN SEVIER
STATE OFFICE BUILDINGS

TELEPHONE 615-741-3491
FACSIMILE 615-741-2009

Reply to:
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, TN 37202

July 28, 2004

Honorable Pat Miller
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

IN RE: Hickory Star Water Company, LLC To Increase Its Rates
Docket No: 04-00044

Dear Chairman Miller:

Enclosed is an original and thirteen copies of an Amended Stipulation and Agreement Between Hickory Star Water Company, LLC and the Consumer Advocate and Protection Division of the Office of the Attorney General. Kindly file same in this docket. Copies are being sent to all parties of record.

Should you have any questions, please contact me at 615-532-3382. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Shilina B. Chatterjee".

Shilina B. Chatterjee
Assistant Attorney General

cc: All Parties of Record.

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**APPLICATION OF HICKORY STAR
WATER COMPANY, LLC TO INCREASE
ITS RATES**

DOCKET NO. 04-00044

**AMENDED STIPULATION AND AGREEMENT BETWEEN HICKORY STAR WATER
COMPANY, LLC AND THE CONSUMER ADVOCATE & PROTECTION DIVISION
OF THE OFFICE OF THE ATTORNEY GENERAL**

Comes now Paul G. Summers, Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate" or "CAD") and Hickory Star Water Company, LLC ("Hickory Star") hereby states as follows:

On February 10, 2004, Hickory Star filed its Petition for a rate increase with the Tennessee Regulatory Authority. On March 25, 2004, the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate" or the "CAPD") filed a Petition to Intervene. On May 18, 2004, an Order was entered by the Tennessee Regulatory Authority (hereinafter "TRA") convening a contested case proceeding, granting intervention to the Consumer Advocate and appointing a hearing officer.

The parties have engaged in substantial discovery to resolve all known disputed issues in this

case. As a result of the information obtained during discovery and the discussions between the Hickory Star and the CAPD, the CAPD does not object to the rate increase sought by Hickory Star.

On July 23, 2004, Hickory Star and the Consumer Advocate appeared before the Hearing Officer for a hearing on this matter. There were several matters that were raised by the TRA staff during the hearing. As a result of discussions, the Hearing Officer requested that the parties amend the stipulation and agreement with more specificity. Therefore, the parties stipulate and agree as follows:

The Petition seeks an increase in its monthly base water rate for a minimum of 2,000 gallons from \$18.36 per month to \$36.76 per month. The Company also seeks to increase its tap fee from \$585 to \$850, and it wants the right to pass on increases in costs to purchase water from the City of Maynardville. Hickory Star and the Consumer Advocate are in agreement that the base rate should be increased and also agree to the increase in the tap fee from \$585 to \$850 to prevent impairment of Hickory Star credit, to continue to serve its customers and to meet the obligations of its customers, employees and creditors, and to preserve its property.

Therefore, Hickory Star and the Consumer Advocate stipulate to a rate increase that will produce additional revenues of approximately \$22,938.24. Hickory Star and the Consumer Advocate submit that the rate increase is necessary in order for Hickory Star to continue operation and provide service to its customers.

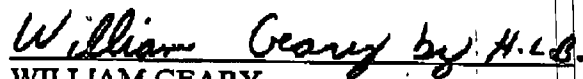
The depreciation rate for utility plant in service will be for a twenty-five year period at a rate of four (4%) percent on a going forward basis. Hickory Star will not seek recovery of depreciation expense retroactively.


Hickory Star and the Consumer Advocate agree and stipulate that Hickory Star will seek

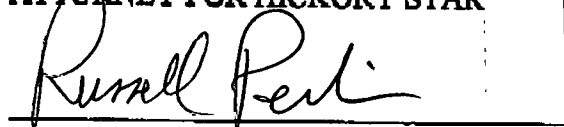
advance approval from the TRA for any pass-throughs of increases in expenses. Additionally, Hickory Star will provide sufficient notice to consumers of any increases in expenses.

Hickory Star and the Consumer Advocate submit this agreement as a stipulated agreement for consideration by the Tennessee Regulatory Authority and request that it be incorporated into an Order approving the rate increase and rate design and approving the proposed revised tariff filed by Hickory Star.

Respectfully submitted,


WILLIAM GEARY
MANAGING MEMBER OF HICKORY
STAR WATER COMPANY, LLC


H. LADON BALTIMORE, ESQ.
ATTORNEY FOR HICKORY STAR


RUSSELL T. PERKINS
DEPUTY ATTORNEY GENERAL
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE AND
PROTECTION DIVISION
P.O. Box 20207
Nashville, TN 37202-0207

Dated: July 28, 2004

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on July 28, 2004, via facsimile or first-class U.S. Mail, postage prepaid, upon:

H. LaDon Baltimore, Esq.
Farrar & Bates, L.L.P.
211 Seventh Avenue North, Suite 420
Nashville, Tennessee 37219
Facsimile: (615) 254-9835

Mr. William Geary, Jr.
Carlsberg Management Company
6171 West Century Boulevard, Suite 100
Los Angeles, California 90045
Facsimile: (310) 258-9009

Richard Collier, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
(615) 741-5015

Hal Novak
Chief
Energy and Water Division
460 James Robertson Parkway
Nashville, Tennessee 37243-0505


SHILINA B. CHATTERJEE
Assistant Attorney General

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